

PRESS RELEASE

FINANCIAL SERVICES SECTOR STABLE AND LIQUIDITY UNDER CONTROL, WITH LOWER CREDIT RISKS

Jakarta, October 25, 2017. The meeting of Financial Services Authority's (OJK) Board of Commissioners, which was held this Wednesday, considered that both stability in the financial services sector and liquidity in Indonesian financial markets were under control.

Global economy is expected to continue moving upwards, driven by higher economic growth achieved by advanced economies, especially European countries and the US.

In parallel with stronger US economy, the Fed is expected to raise the Federal Funds Rate (FFR) in December 2017. It also started normalising its balance sheet in October 2017.

Domestic growth is expected to rise in the second semester of 2017, with manageable inflation rate. Further, to spur economic growth, Bank Indonesia has cut its benchmark interest rates twice in a row, back in August and September 2017.

In domestic financial markets, both the Jakarta Composite Index (JCI) and sovereign bond (SBN) yields had gone up throughout September 2017.

Although foreign investors booked net sells of IDR 11.2 trillion, the JCI still rose 0.6 percent month-to-month (compared to 0.4 percent mtm in August 2017) thanks to domestic investors' support.

On the other hand, foreign investors booked net buys of IDR 34.2 trillion at the SBN market (with year-to-month net buy amounted to IDR 153.5 trillion). This pushed down short-term, mid-term, and long-term SBN tenors by 15.1, 14.6, and 24.8 basis points, respectively.

Intermediary services of financial services companies posted moderate performance. In September 2017, banking credit was up 7.86 percent year-on-year (compared to 8.26 percent yoy in August 2017) and receivable financing grew by 8.16 percent yoy (compared to 9.13 percent yoy in August 2017).

In terms of funds collection, the financial services companies showed solid performance. As of August 2017, the banks' third-party funds grew by 11.69 percent yoy (compared to 9.60 percent yoy in August 2017). For the same month, life insurance premiums recorded an increase of 37.8 percent yoy (compared to 36.5 percent yoy in August 2017). Likewise, general insurance and reinsurance premiums climbed 4.35 percent yoy (compared to 2.03 percent yoy in August 2017)

During January – September 2017 period, 118 issuers (compared to 87 issuers yoy) raised funds worth IDR 182.2 trillion from the capital market, marking a 32.1-percent increase yoy. Twenty nine of those issuers are newcomers; this figure exceeded the capital market's target of gaining 21 new issuers in 2017.

Amid such financial intermediary services growth, financial services companies' risks (credit, market, and liquidity risks) stood at manageable levels. Credit risks were seen lower in September 2017. Gross non-performing loan (NPL) and financing companies' non-performing financing (NPF) ratios also improved, dropping to 2.93 percent (from 3.05 percent in August) and 3.18 percent (from 3.31 percent in August), respectively.

Looking ahead, the OJK sees global economy enjoy stronger recovery, which will impact positively on domestic economic performance and Indonesia's financial services sector. It also finds that the interest rates' downward trend has given room to the financial services sector to play a bigger role in accelerating domestic economic growth, by speeding up funds distribution.

The OJK will keep following closely developments concerning market risks during normalization of monetary policies in the US and Europe.

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